

**BOYS AND GIRLS CLUBS OF
GREATER MEMPHIS**

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

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Independent Auditor's Report

Board of Directors
Boys and Girls Clubs of Greater Memphis
Memphis, Tennessee

We have audited the accompanying financial statements of Boys and Girls Clubs of Greater Memphis (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boys and Girls Clubs of Greater Memphis as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Frazee Ivy Davis PLC

Memphis, Tennessee
April 28, 2021

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Financial Position

December 31, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 3,969,968 | \$ 2,294,702 |
| Pledges receivable, net | 281,953 | 893,391 |
| Grants receivable | 290,575 | 325,311 |
| Other receivables | 4,510 | - |
| Prepaid expenses | 30,382 | 26,761 |
| Receivables, long-term bargain leases | 119,596 | 130,615 |
| Investment securities | 12,811,517 | 11,377,973 |
| Cash surrender value of life insurance | 137,114 | 146,107 |
| Property and equipment, net of accumulated depreciation | 5,590,945 | 5,846,831 |
| Total assets | <u>\$ 23,236,560</u> | <u>\$ 21,041,691</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 16,419 | \$ 75,307 |
| Accrued salaries and retirement | 109,943 | 125,807 |
| Accrued interest | 58,722 | 13,795 |
| Deferred revenue | - | 546,849 |
| Notes payable | 5,111,905 | 5,490,565 |
| Paycheck Protection Program loan | 579,300 | - |
| Total liabilities | <u>5,876,289</u> | <u>6,252,323</u> |
| Net assets | | |
| Without donor restrictions | 12,341,724 | 9,946,007 |
| With donor restrictions | 5,018,547 | 4,843,361 |
| Total net assets | <u>17,360,271</u> | <u>14,789,368</u> |
| Total liabilities and net assets | <u>\$ 23,236,560</u> | <u>\$ 21,041,691</u> |

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Activities

For the years ended December 31, 2020 and 2019

| | 2020 | | | 2019 | | |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and other revenues | | | | | | |
| Grant income | \$ 2,408,375 | \$ 165,121 | \$ 2,573,496 | \$ 1,940,612 | \$ - | \$ 1,940,612 |
| Contribution income | 2,401,745 | - | 2,401,745 | 1,967,095 | 6,713 | 1,973,808 |
| Net investment income | 1,067,742 | 367,110 | 1,434,852 | 1,320,627 | 474,253 | 1,794,880 |
| United Way of the Mid-South | 260,441 | - | 260,441 | 462,815 | - | 462,815 |
| Other revenues | 229,220 | - | 229,220 | 466,334 | - | 466,334 |
| In-kind contributions | 27,060 | 6,281 | 33,341 | 50,366 | 6,817 | 57,183 |
| Membership fees | 8,670 | - | 8,670 | 86,832 | - | 86,832 |
| The Phoenix, Inc. | - | - | - | 38,124 | - | 38,124 |
| Capital campaign | - | - | - | - | 25,719 | 25,719 |
| Gain (loss) on sale of property and equipment | - | - | - | (34,679) | - | (34,679) |
| Total support and other revenues | 6,403,253 | 538,512 | 6,941,765 | 6,298,126 | 513,502 | 6,811,628 |
| Reclassifications | | | | | | |
| Net assets released from restrictions | 363,326 | (363,326) | - | 369,250 | (369,250) | - |
| Total revenue and reclassifications | 6,766,579 | 175,186 | 6,941,765 | 6,667,376 | 144,252 | 6,811,628 |
| Expenses | | | | | | |
| Program services | 3,719,099 | - | 3,719,099 | 4,405,256 | - | 4,405,256 |
| Management and general | 479,879 | - | 479,879 | 487,122 | - | 487,122 |
| Fundraising | 171,884 | - | 171,884 | 230,683 | - | 230,683 |
| Total expenses | 4,370,862 | - | 4,370,862 | 5,123,061 | - | 5,123,061 |
| Change in net assets | \$ 2,395,717 | \$ 175,186 | \$ 2,570,903 | \$ 1,544,315 | \$ 144,252 | \$ 1,688,567 |

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Functional Expenses

For the years ended December 31, 2020 and 2019

| | 2020 | | | | 2019 | | | |
|--------------------------------|---------------------|---------------------------|-------------------|---------------------|---------------------|---------------------------|-------------------|---------------------|
| | Program Services | Management and General | Fundraising | Total | Program Services | Management and General | Fundraising | Total |
| Compensatory expenses | | | | | | | | |
| Salaries and wages | \$ 1,806,698 | \$ 311,896 | \$ 87,845 | \$ 2,206,439 | \$ 2,337,503 | \$ 403,530 | \$ 113,654 | \$ 2,854,687 |
| Retirement and health benefits | 288,811 | 44,407 | 8,394 | 341,612 | 213,256 | 32,790 | 6,198 | 252,244 |
| Payroll taxes | 116,304 | 17,968 | 3,951 | 138,223 | 170,691 | 26,370 | 5,798 | 202,859 |
| Subtotal compensatory | 2,211,813 | 374,271 | 100,190 | 2,686,274 | 2,721,450 | 462,690 | 125,650 | 3,309,790 |
| Other expenses | | | | | | | | |
| Depreciation | 414,309 | - | - | 414,309 | 438,819 | - | - | 438,819 |
| Contract services | 219,520 | 21,962 | 14,484 | 255,966 | 188,511 | 18,860 | 12,438 | 219,809 |
| Program supplies | 227,587 | - | - | 227,587 | 214,688 | - | - | 214,688 |
| Interest | 177,185 | - | - | 177,185 | 189,748 | - | - | 189,748 |
| Utilities | 119,610 | 8,600 | 4,298 | 132,508 | 145,319 | 10,449 | 5,222 | 160,990 |
| Insurance | 123,552 | 5,256 | 2,629 | 131,437 | 169,529 | 7,212 | 3,607 | 180,348 |
| Facility rent and maintenance | 78,432 | 13,971 | 6,981 | 99,384 | 100,104 | 17,832 | 8,910 | 126,846 |
| Work incentive | 61,273 | - | - | 61,273 | 65,214 | - | - | 65,214 |
| Fundraising expenses | - | - | 36,553 | 36,553 | - | - | 62,698 | 62,698 |
| Vehicle expenses | 27,173 | 2,844 | 1,579 | 31,596 | 41,705 | 4,365 | 2,424 | 48,494 |
| Telephone | 16,227 | 2,027 | 2,027 | 20,281 | 21,461 | 2,681 | 2,681 | 26,823 |
| Provision for doubtful pledges | - | 45,000 | - | 45,000 | - | (50,000) | - | (50,000) |
| Dues and subscriptions | 18,820 | - | - | 18,820 | 21,669 | - | - | 21,669 |
| Office supplies | 10,422 | 3,936 | 1,687 | 16,045 | 18,718 | 7,067 | 3,029 | 28,814 |
| Bank charges | 7,194 | 899 | 899 | 8,992 | 18,555 | 2,318 | 2,319 | 23,192 |
| Travel | 3,889 | 1,113 | 557 | 5,559 | 11,910 | 3,407 | 1,705 | 17,022 |
| Training | 1,406 | - | - | 1,406 | 4,475 | - | - | 4,475 |
| Food | 687 | - | - | 687 | 31,860 | - | - | 31,860 |
| Miscellaneous | - | - | - | - | 1,521 | 241 | - | 1,762 |
| Total expenses | <u>\$ 3,719,099</u> | <u>\$ 479,879</u> | <u>\$ 171,884</u> | <u>\$ 4,370,862</u> | <u>\$ 4,405,256</u> | <u>\$ 487,122</u> | <u>\$ 230,683</u> | <u>\$ 5,123,061</u> |

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Changes in Net Assets

For the years ended December 31, 2020 and 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--------------------------------------|---------------------------------------|------------------------------------|-----------------------------|
| Net assets, December 31, 2018 | 8,401,692 | 4,699,109 | 13,100,801 |
| Change in net assets | <u>1,544,315</u> | <u>144,252</u> | <u>1,688,567</u> |
| Net assets, December 31, 2019 | 9,946,007 | 4,843,361 | 14,789,368 |
| Change in net assets | <u>2,395,717</u> | <u>175,186</u> | <u>2,570,903</u> |
| Net assets, December 31, 2020 | <u>\$ 12,341,724</u> | <u>\$ 5,018,547</u> | <u>\$ 17,360,271</u> |

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

| | 2020 | 2019 |
|---|---------------------|-------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ 2,570,903 | 1,688,567 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | | |
| Depreciation | 414,309 | 438,819 |
| Unrealized gain on investments | (956,624) | (1,449,509) |
| Realized gain on investments | (271,368) | (111,499) |
| Loss on sale of property and equipment | - | 34,679 |
| Provision for doubtful pledges | 45,000 | (50,000) |
| (Increase) decrease in cash surrender value of life insurance | 8,993 | (2,340) |
| Contributions restricted for long-term purposes | - | (345,572) |
| Change in operating assets and liabilities | | |
| Pledges receivable | 566,438 | (349,064) |
| Grants receivable | 34,736 | 500,887 |
| Other receivables | (4,510) | |
| Receivables, long-term bargain leases | 11,019 | 10,483 |
| Prepaid expenses | (3,621) | (6,494) |
| Accounts payable | (58,888) | 40,085 |
| Accrued salaries and retirement | (15,864) | 20,467 |
| Accrued interest | 44,927 | (476) |
| Deferred revenue | (546,849) | (1,270,393) |
| Net cash provided by (used in) operating activities | 1,838,601 | (851,360) |
| Cash flows from investing activities | | |
| Proceeds from sale of investment securities | 1,799,620 | 2,350,800 |
| Purchases of investment securities | (2,028,117) | (2,557,935) |
| Proceeds from sale of property and equipment | - | 179,225 |
| Purchase of property and equipment | (158,423) | (52,617) |
| Net cash used in investing activities | (386,920) | (80,527) |
| Cash flows from financing activities | | |
| Proceeds from Paycheck Protection Program loan | 579,300 | - |
| Principal payments on notes payable | (378,660) | (189,330) |
| Proceeds from contributions restricted for long-term projects | - | 345,572 |
| Net cash provided by financing activities | 200,640 | 156,242 |
| Change in cash, cash equivalents, and restricted cash | 1,652,321 | (775,645) |
| Cash, cash equivalents, and restricted cash at beginning of year | 2,588,962 | 3,364,607 |
| Cash, cash equivalents, and restricted cash at end of year | \$ 4,241,283 | 2,588,962 |

See accompanying notes to the financial statements.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2020 and 2019

Note 1 – Organization and Business Activity

Boys and Girls Clubs of Greater Memphis (the “Organization”) is a non-profit corporation which maintains six club facilities, one technical training center, and a camp for the benefit of approximately 4,500 members. The Organization operates a comprehensive program which provides the boys and girls with professional and informal guidance integrated into a year-round program of group club, athletics, science, shops, learning centers, crafts, computer labs, playgrounds, gyms, and special events. The Organization is supported through donor contributions, grants, and special events.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Under this method of accounting, support and revenue are recognized in the period earned and expenses are recognized when incurred.

Financial Statement Presentation

Under accounting standards for not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be met in perpetuity.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. As of December 31, 2020 and 2019, cash, cash equivalents, and restricted cash consisted of the following:

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|---------------------|
| Cash and cash equivalents | \$ 3,969,968 | \$ 2,294,702 |
| Money market funds, pledged as collateral | <u>271,315</u> | <u>294,260</u> |
| Cash, cash equivalents, and restricted cash | <u>\$ 4,241,283</u> | <u>\$ 2,588,962</u> |

Pledges Receivable

Pledges receivable are recorded when they are determined to be an unconditional promise to give. The Organization uses the allowance method to account for doubtful pledges. The amount of the allowance for doubtful pledges is based upon management’s assessment of historical and expected collections, economic conditions, and other collection indicators. Pledges receivable due in more than one year are discounted to the present value of estimated future cash flows.

Note 2 – Summary of Significant Accounting Policies (continued)*Property, Equipment, and Depreciation*

Property and equipment is stated at estimated fair value at the date of the contribution, if contributed, or at acquisition cost, if purchased. Major renewals and betterments that extend the useful lives of assets are also recorded at cost. Expenditures for normal repair and maintenance are expensed as they occur. Construction in progress represents renovations that have not been put in service and, therefore, are not being depreciated. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, generally five to thirty-nine years for buildings and improvements and three to ten years for equipment, furniture, and vehicles.

Revenue Recognition

Contributions received are recorded as support with or without donor restrictions depending on the existence of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unrestricted. Contributions that are limited to specific uses by donor-imposed restriction are reported as being received without donor restrictions when the restrictions are met within the same reporting period. Net assets with donor restrictions are reclassified to net assets without donor restrictions when the restriction expires or is satisfied. Investment income is available to support any activities of the Organization unless otherwise specified by the donor.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

| <u>Type of Expense</u> | <u>Method of Allocation</u> |
|----------------------------|-----------------------------|
| Other building occupancy | Full time equivalent |
| Supplies and services | Full time equivalent |
| Salaries and wages | Time and effort |
| Payroll taxes and benefits | Time and effort |

In-Kind Contributions

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations of property and equipment are recorded as unrestricted contributions at the date of donation unless the donor has temporarily or permanently restricted the donated asset to a specific purpose.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Sections 509(a)(1) and 170(b)(1)(A)(vi). The Organization files tax returns in the United States federal jurisdiction. The Organization is no longer subject to examination by federal authorities for years prior to 2017.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would more likely than not be upheld under examination. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2020 and 2019.

Note 2 – Summary of Significant Accounting Policies (continued)*Fair Value Measurements*

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establish the framework for a fair value hierarchy. The fair value hierarchy gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable market data (Level 2), and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Standards

In May 2014, the FASB issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”), which impacts virtually all aspects of an entity’s revenue recognition. ASU 2014-09 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, as well as most industry-specific guidance, and significantly enhances comparability of revenue recognition practices across entities and industries by providing a principles-based, comprehensive framework for addressing revenue recognition issues. In order for a provider of promised goods or services to recognize as revenue the consideration that it expects to receive in exchange for the promised goods or services, the provider should apply a five-step process. ASU 2014-09 also specifies the accounting for some costs to obtain or fulfill a contract with a customer and provides enhanced disclosure requirements. The Organization adopted the guidance effective January 1, 2020 using full retrospective application.

As part of the adoption of the ASU, the Organization elected to use the following transition practical expedients: (i) the Organization used the known transaction price for completed contracts and (ii) the Organization has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

The majority of the Organization’s contracts do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

Subsequent Events

Management has evaluated subsequent events through April 28, 2021, the date the financial statements were available to be issued.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2020 and 2019

Note 3 – Pledges Receivable

As of December 31, 2020 and 2019, unconditional promises to give were due as follows:

| | <u>2020</u> | <u>2019</u> |
|----------------------------------|--------------------------|-------------------|
| Receivable in less than one year | <u>\$ 336,953</u> | <u>\$ 903,391</u> |
| Total pledges receivable | 336,953 | 903,391 |
| Allowance for doubtful pledges | <u>(55,000)</u> | <u>(10,000)</u> |
| Pledges receivable, net | <u>\$ 281,953</u> | <u>\$ 893,391</u> |

Note 4 – Receivables, Long-Term Bargain Leases

As of December 31, 2020, the Organization holds long-term leasehold rights to real estate used in its programs at Camp Phoenix. The lease expires on June 30, 2029 and the annual rental per year for the lease is nil. The present value of the fair market rent over the lease term, determined using a five percent discount rate, was recognized as support with donor restrictions at the effective date of the lease. Receivables, long-term bargain leases as of December 31, 2020 of \$119,596 represents the future fair rental value of \$147,050 net of unamortized discount of \$27,454. The unamortized discount will be recognized as additional contributions as time restrictions expire.

Rent expense attributable to the lease to be recognized in the next five years is as follows:

| | |
|--------------------------|--------------------------|
| Year ending December 31, | |
| 2021 | \$ 17,300 |
| 2022 | 17,300 |
| 2023 | 17,300 |
| 2024 | 17,300 |
| 2025 | 17,300 |
| Thereafter | <u>60,550</u> |
| Total | <u>\$ 147,050</u> |

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2020 and 2019

Note 5 – Investment Securities

Investment securities as of December 31, 2020 and 2019 were comprised of the following:

| | 2020 | | 2019 | |
|--|----------------------|-------------------|---------------------|-------------------|
| | Fair Value | Cost | Fair Value | Cost |
| Money market funds | \$ 271,315 | \$ 271,315 | \$ 294,260 | \$ 294,260 |
| Fixed income funds | 3,203,057 | 3,121,597 | 2,888,252 | 2,887,361 |
| Domestic equity funds | 3,662,831 | 2,594,079 | 3,337,363 | 2,538,217 |
| International equity funds | 1,206,786 | 881,127 | 1,070,151 | 827,721 |
| Common equity securities | 3,016,877 | 2,207,249 | 2,527,986 | 2,055,436 |
| Total equity investments | 7,886,494 | 5,682,455 | 6,935,500 | 5,421,374 |
| Community Foundation of Greater Memphis Hedge fund | 102,688 1,347,963 | 72,855 577,488 | 91,953 1,168,008 | 68,307 577,488 |
| Total investment securities | \$ 12,811,517 | \$ 9,725,710 | \$ 11,377,973 | \$ 9,248,790 |

Investment securities held by the Community Foundation of Greater Memphis, Inc. consist of funds transferred from the Organization to the Boys and Girls Club Fund of the Community Foundation of Greater Memphis, Inc. (the “Fund”). The beneficiary of the Fund is the Organization. The investments are stated at fair value and are held in a diversified portfolio.

As of December 31, 2020, investments included \$11,360,866 in securities pledged as collateral under note payable to SunTrust Bank (see Note 7).

Net investment income for the years ended December 31, 2020 and 2019 consisted of the following:

| | 2020 | 2019 |
|------------------------------|--------------|--------------|
| Net unrealized gain | \$ 956,624 | \$ 1,449,509 |
| Net realized gain | 271,368 | 111,499 |
| Net gain | 1,227,992 | 1,561,008 |
| Interest and dividend income | 281,064 | 307,202 |
| Investment fees | (74,204) | (73,330) |
| Net investment income | \$ 1,434,852 | \$ 1,794,880 |

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2020 and 2019

Note 6 – Property and Equipment

Property and equipment consisted of the following as of December 31, 2020 and 2019:

| | 2020 | 2019 |
|------------------------------------|--------------|--------------|
| Land | \$ 275,123 | \$ 275,123 |
| Buildings | 6,293,251 | 6,293,251 |
| Building improvements | 4,778,257 | 4,679,937 |
| Leasehold improvements | 240,458 | 240,458 |
| Transportation equipment | 355,268 | 309,375 |
| Equipment, furniture, and fixtures | 1,680,619 | 1,666,409 |
| | 13,622,976 | 13,464,553 |
| Accumulated depreciation | (8,032,031) | (7,617,722) |
| Property and equipment, net | \$ 5,590,945 | \$ 5,846,831 |
| Depreciation expense for the year | \$ 414,309 | \$ 438,819 |

Note 7 – Notes Payable

SunTrust Bank

On October 4, 2017, the Organization entered into a promissory note with SunTrust Bank in the amount of \$5,679,895. The note requires semi-annual installments of \$189,330, plus interest at 3.35% per annum, beginning July 5, 2019 through July 5, 2027. The note is secured by the Organization’s investment securities (see Note 5).

Principal is scheduled to mature as follows:

| | |
|--------------------------|--------------|
| Year ending December 31, | |
| 2021 | \$ 378,660 |
| 2022 | 378,660 |
| 2023 | 378,660 |
| 2024 | 378,660 |
| 2025 | 378,660 |
| Thereafter | 3,218,605 |
| Total | \$ 5,111,905 |

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2020 and 2019

Note 8 – Paycheck Protection Program Loan

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. In April 2020, the Organization received a Small Business Administration (“SBA”) loan in the amount of \$579,300 for the Payroll Protection Program (“PPP”) in order to keep staff employed during the coronavirus pandemic. The terms of the PPP loan indicate that the Organization must utilize the proceeds to fund/offset qualifying expenses over an eight-week period, which can be extended to twenty-four weeks if elected. The terms of the agreement specify that the Organization must repay the principal of the loan back plus interest, which accrues at 1% semi-annually. The loan matures in two years. Upon maturity, the loan and accrued interest payable may be forgiven if the Organization fulfills the agreed upon terms. The Organization has elected to treat the PPP loan in accordance with the FASB ASC 470, *Debt*, model. Under this model, the effects of any anticipated forgiveness of the loan are not recognized in the financial statements until the Organization has been notified by the SBA that the loan, in whole or in part, has been approved for forgiveness. As of December 31, 2020, the Organization has not applied for, nor received, forgiveness for the PPP loan from the SBA.

Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|---------------------|---------------------|
| Time restrictions | \$ 199,717 | \$ 130,615 |
| Purpose restrictions | | |
| Capital & Endowment Campaign | 3,440,351 | 3,510,297 |
| Tech Training Center, Logistics Track | 85,000 | - |
| Buckman Club | 460,742 | 374,892 |
| Endowment campaign | 18,907 | 15,517 |
| Irby Cooper Scholarship Fund | 7,886 | 6,096 |
| In perpetuity | | |
| Endowment corpus | <u>805,944</u> | <u>805,944</u> |
| Total | <u>\$ 5,018,547</u> | <u>\$ 4,843,361</u> |

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2020 and 2019

Note 9 – Net Assets with Donor Restrictions (continued)

For the years ended December 31, 2020 and 2019, net assets were released from restrictions by the passage of time or incurring expenses satisfying the purpose restriction imposed by donors as follows:

| | <u>2020</u> | <u>2019</u> |
|------------------------------|-------------------|-------------------|
| Time restrictions | \$ 17,300 | \$ 17,300 |
| Purpose restrictions | | |
| Club operations | - | 250,000 |
| Capital & Endowment Campaign | 288,141 | 84,882 |
| Cabins at Club Phoenix | - | 6,713 |
| Buckman | 56,702 | 10,232 |
| Irby Cooper Scholarship Fund | <u>1,183</u> | <u>123</u> |
| Total | <u>\$ 363,326</u> | <u>\$ 369,250</u> |

Note 10 – Endowment Funds

The Organization's endowment consists of several funds established for the purpose of raising and investing funds for capital improvements and scholarships. The endowment includes both donor-restricted endowment funds and funds designated by the Organization's Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with the endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as adopted by the State of Tennessee as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of the investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Annual spending from the endowment fund shall be the lesser of (a) 5% of the endowment fund's fair market value (as valued annually at the beginning of each fiscal year of the organization), or (b) the net income earned by the endowment fund during the Organization's previous fiscal year. In establishing this policy, the Organization considered liquidity and the long-term expected investment return of its endowment fund.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2020 and 2019

Note 10 – Endowment Funds (continued)

The Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions in accordance with the Organization’s annual spending policy while growing the fund. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net asset composition by fund type as of December 31, 2020 and 2019 consisted of the following:

| | Without Donor Restrictions | With Donor Restrictions | | Total |
|----------------------------------|---|--------------------------------|----------------------|---------------------|
| | | Time | In Perpetuity | |
| As of December 31, 2020 | | | | |
| Donor-restricted endowment funds | \$ 736,152 | \$ 2,335,536 | \$ 805,944 | \$ 3,877,632 |
| Board-designated endowment funds | 166,032 | - | - | 166,032 |
| Total endowment funds | \$ 902,184 | \$ 2,335,536 | \$ 805,944 | \$ 4,043,664 |
| As of December 31, 2019 | | | | |
| Donor-restricted endowment funds | \$ 510,907 | \$ 2,114,445 | \$ 805,944 | \$ 3,431,296 |
| Board-designated endowment funds | 160,816 | - | - | 160,816 |
| Total endowment funds | \$ 671,723 | \$ 2,114,445 | \$ 805,944 | \$ 3,592,112 |

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2020 and 2019

Note 10 – Endowment Funds (continued)

Changes in endowment net assets for the year ended December 31, 2020 were as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | | <u>Total</u> |
|--|---|--------------------------------|--------------------------|----------------------------|
| | | <u>Time</u> | <u>In Perpetuity</u> | |
| Endowment net assets, December 31, 2019 | <u>\$ 671,723</u> | <u>\$ 2,114,445</u> | <u>\$ 805,944</u> | <u>\$ 3,592,112</u> |
| Investment return: | | | | |
| Interest and dividends | 16,183 | 70,358 | - | 86,541 |
| Net appreciation (realized and unrealized) | 72,632 | 315,766 | - | 388,398 |
| Investment fees | <u>(4,373)</u> | <u>(19,014)</u> | - | <u>(23,387)</u> |
| Total investment return | <u>84,442</u> | <u>367,110</u> | - | <u>451,552</u> |
| Contributions | - | - | - | - |
| Appropriations for expenditure | <u>146,019</u> | <u>(146,019)</u> | - | - |
| Endowment net assets, December 31, 2020 | <u><u>\$ 902,184</u></u> | <u><u>\$ 2,335,536</u></u> | <u><u>\$ 805,944</u></u> | <u><u>\$ 4,043,664</u></u> |

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | | <u>Total</u> |
|--|---|--------------------------------|--------------------------|----------------------------|
| | | <u>Time</u> | <u>In Perpetuity</u> | |
| Endowment net assets, December 31, 2018 | <u>\$ 493,060</u> | <u>\$ 1,726,519</u> | <u>\$ 805,944</u> | <u>\$ 3,025,523</u> |
| Investment return: | | | | |
| Interest and dividends | 15,721 | 80,748 | - | 96,469 |
| Net appreciation (realized and unrealized) | 80,380 | 412,849 | - | 493,229 |
| Investment fees | <u>(3,765)</u> | <u>(19,344)</u> | - | <u>(23,109)</u> |
| Total investment return | <u>92,336</u> | <u>474,253</u> | - | <u>566,589</u> |
| Contributions | - | - | - | - |
| Appropriations for expenditure | <u>86,327</u> | <u>(86,327)</u> | - | - |
| Endowment net assets, December 31, 2019 | <u><u>\$ 671,723</u></u> | <u><u>\$ 2,114,445</u></u> | <u><u>\$ 805,944</u></u> | <u><u>\$ 3,592,112</u></u> |

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2020 and 2019

Note 11 – Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis as of December 31, 2020 and 2019 include the following:

| | Fair Value | Quoted Prices in Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---------------------------------|-------------------|---|--|--|
| As of December 31, 2020 | | | | |
| Assets | | | | |
| Money market funds | \$ 271,315 | \$ 271,315 | \$ - | \$ - |
| Fixed income funds | 3,203,057 | 3,203,057 | - | - |
| Domestic equity funds | 3,662,831 | 3,662,831 | - | - |
| International equity funds | 1,206,786 | 1,206,786 | - | - |
| Common equity securities | 3,016,877 | 3,016,877 | - | - |
| Total fair value of investments | \$ 11,360,866 | \$ 11,360,866 | \$ - | \$ - |
| As of December 31, 2019 | | | | |
| Assets | | | | |
| Money market funds | \$ 294,260 | \$ 294,260 | \$ - | \$ - |
| Fixed income funds | 2,888,252 | 2,888,252 | - | - |
| Domestic equity funds | 3,337,363 | 3,337,363 | - | - |
| International equity funds | 1,070,151 | 1,070,151 | - | - |
| Common equity securities | 2,527,986 | 2,527,986 | - | - |
| Total fair value of investments | \$ 10,118,012 | \$ 10,118,012 | \$ - | \$ - |

Fixed Income Funds

This class of investments seeks to produce income from domestic and international bonds while preserving capital. These investments are valued at the daily closing price as reported on the active market.

Domestic Equity Funds

This class includes investments in mutual funds that hold common stocks in U.S. companies. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

International Equity Funds

This class includes investments in mutual funds that hold common stocks of companies in developed countries outside the United States. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Common Equity Securities

Fair values for common equity securities are determined by reference to quoted prices in active markets.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2020 and 2019

Note 11 – Fair Value Measurements (continued)

In accordance with Topic 820, hedge funds and pooled investments, which are measured at net asset value (“NAV”) per share (or its equivalent), have not been classified in the fair value hierarchy. The fair value amounts presented in the following table represent all of the Organization’s assets reported at the fair value presented in the statements of financial position as of December 31, 2020 and 2019 that are valued based primarily on NAV:

| | <u>2020</u> | <u>2019</u> | <u>Unfunded Commitments</u> | <u>Redemption Frequency</u> | <u>Redemption Notice Period</u> |
|---|----------------------------|---------------------|---------------------------------|---------------------------------|-------------------------------------|
| Hedge funds | \$ 1,347,963 | \$ 1,168,008 | \$ - | Annually | 90 days |
| Pooled investments | 102,688 | 91,953 | - | Daily* | None |
| Total fair value of hedge funds and pooled investments | <u>\$ 1,450,651</u> | <u>\$ 1,259,961</u> | <u>\$ -</u> | | |

*The Organization can withdraw funds daily, but can only change investment pools monthly.

Hedge Funds

The hedge fund’s overall objective is to achieve capital appreciation through direct and indirect investments in securities, derivative instruments, and commodities. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Pooled Investments

The pooled investment fund seeks to maintain a balance between investments in equity securities and fixed income securities to provide investors with both interest income and net appreciation while providing some degree of capital preservation.

Note 12 – Retirement Plans

Pension Plan

The Organization maintains a non-contributory defined contribution pension plan covering employees over 20 years of age with at least one thousand hours of annual service. The employer contributes to the plan 3% of participants’ annual compensation. Pension expense for the years ended December 31, 2020 and 2019 was \$56,450 and \$59,560, respectively.

Salary Deferral Plan

The Organization sponsors a defined contribution retirement plan for the benefit of its employees under Section 403(b) of the Internal Revenue Code. All employees may elect to defer a portion of their compensation and contribute it to the plan in an amount not to exceed annual statutory limits. The employer does not contribute to this plan.

Note 13 – Supplemental Disclosure of Cash Flow Information

For the years ended December 31, 2020 and 2019, the Organization’s cash payments for interest totaled \$132,258 and \$190,224, respectively.

BOYS AND GIRLS CLUBS OF GREATER MEMPHIS

Notes to the Financial Statements

December 31, 2020 and 2019

Note 14 – Concentrations of Risk

Although the Organization has a policy to maintain a diversified portfolio, investment securities are subject to market and credit risk, including the issuers' ability to meet their obligations, which may be affected by general economic conditions or economic developments in a specific geographic region or industry.

During the years ended December 31, 2020 and 2019, one donor and organizations under his control accounted for approximately fourteen percent (14%) and seven percent (7%) of total support and other revenues, respectively.

Note 15 – Availability of Resources and Liquidity

As part of its ongoing liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2020 and 2019, the Organization's current unrestricted financial assets available within one year of the statement of financial position date for general expenditure are as follows:

| | 2020 | 2019 |
|--|--------------|--------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 3,969,968 | \$ 2,294,702 |
| Pledges receivable, net | 281,953 | 893,391 |
| Grants receivable | 290,575 | 325,311 |
| Other receivables | 4,510 | - |
| Investment securities | 12,811,517 | 11,377,973 |
| Cash surrender value of life insurance | 137,114 | 146,107 |
| Total financial assets | 17,495,637 | 15,037,484 |
| Amounts not available to be used within one year: | | |
| Investments pledged as collateral | (11,360,866) | (10,118,012) |
| Donor-restricted endowment funds | (3,141,480) | (2,920,391) |
| Board-designated endowment funds | (166,032) | (160,816) |
| Other net assets with donor restrictions | (1,877,067) | (1,792,355) |
| Excluding net assets with purpose restrictions to be met in less than a year | 258,441 | 120,000 |
| Financial assets not available to be used within one year | (16,287,004) | (14,871,574) |
| Financial assets available to meet general expenditures within one year | \$ 1,208,633 | \$ 165,910 |

As of December 31, 2020, investments pledged as collateral totaling \$11,360,866 represents collateral under a note payable to SunTrust Bank for \$5,111,905.